

Dennis F. Dunne  
Dennis C. O'Donnell  
MILBANK, TWEED, HADLEY & McCLOY LLP  
1 Chase Manhattan Plaza  
New York, NY 10005  
Telephone: (212) 530-5000

-and-

Paul Aronzon  
Gregory A. Bray  
MILBANK, TWEED, HADLEY & McCLOY LLP  
601 South Figueroa Street, 30<sup>th</sup> Floor  
Los Angeles, CA 90017  
Telephone: (213) 892-4000

Proposed Counsel for Official  
Committee of Unsecured Creditors  
of Lehman Brothers Holdings Inc., et al.

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

----- X  
In re: : Chapter 11 Case No.  
: :  
LEHMAN BROTHERS HOLDINGS INC., et al., : 08-13555 (JMP)  
: :  
Debtors. : (Jointly Administered)  
: :  
----- X

**STATEMENT OF OFFICIAL COMMITTEE OF UNSECURED  
CREDITORS IN SUPPORT OF DEBTORS' MOTION PURSUANT TO  
SECTIONS 105(a) AND 363(b)(1) THE BANKRUPTCY CODE AND  
BANKRUPTCY RULE 6004 FOR AUTHORIZATION TO  
IMPLEMENT RETENTION AND RECRUITMENT PROGRAM**

TO THE HONORABLE JAMES M. PECK  
UNITED STATES BANKRUPTCY JUDGE:

The Official Committee of Unsecured Creditors (the "Committee") appointed in  
the above-captioned chapter 11 cases (the "Chapter 11 Cases") of Lehman Brothers Holdings  
Inc. ("LBHI") and its affiliated debtors (other than Lehman Brothers Inc.) (collectively, the

“Debtors”) hereby files this statement in support (the “Statement In Support”) of the Debtors’ Motion Pursuant To Sections 105(A) And 363(B)(1) The Bankruptcy Code And Bankruptcy Rule 6004 For Authorization To Implement Recruitment Program (the “Motion”), and respectfully states as follows:

**Background**

1. Commencing on September 15 2008 and periodically thereafter, as the case may be (as applicable, the “Petition Date”), LBHI and certain of its affiliates commenced in this Court voluntary cases under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”).

2. Since the Petition Date, the Debtors have continued in possession of their properties and have continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. On September 17, 2008, pursuant to section 1102 of the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed the Committee. No trustee or examiner has been appointed in the Chapter 11 Cases.

4. On September 19, 2008, a proceeding was commenced under the Securities Investor Protection Act of 1970 (“SIPA”) with respect to Lehman Brothers Inc. (“LBI”). A trustee appointed under SIPA (the “SIPA Trustee”) is administering LBI’s estate.

5. Following discussions with the Committee and its advisors, the Debtors filed the Motion, contemporaneously with the Committee’s Statement In Support. In the Motion, the Debtors request: (i) authorization to implement an employee retention and recruitment program (the “Retention and Recruitment Program”), as described in the Motion, to the extent that such Retention and Recruitment Program is not in the ordinary course of the Debtors’

business; and (ii) approval of administrative expense priority for payment rights under the Retention and Recruitment Program.

**STATEMENT**

6. The Committee has participated in numerous discussions with the Debtors, the Debtors' advisors, and the Committee's own advisors, and has reviewed the terms of the Debtors' proposed Retention and Recruitment Program. Based on this evaluation, the Committee believes that the relief requested in the Motion is appropriate and necessary to maximize value for the Debtors' estates and recoveries to unsecured creditors. As a result, the Committee supports the relief requested in the Motion, as it has supported similar programs implemented by other Lehman non-Debtor entities to retain and incentivize employees essential to the Debtors' sale and wind-down efforts.

7. The Committee agrees with the Debtors that it is imperative that the Debtors adopt a retention and recruitment program if they are to be able to preserve and maximize asset recoveries in the most cost-effective and efficient manner. The Debtors do not currently have the workforce to effectively manage their businesses to preserve value, and do not have systems in place to properly incentivize those employees they currently employ. Notwithstanding the costs involved, the Committee has come to believe, based upon the Debtors' representations and the diligence of its own professionals, that the retention and recruitment of current and former Lehman employees having the knowledge and skill to effectively manage and monetize Lehman's assets is the best available way to maximize recovery for unsecured creditors.

8. The Committee understands that Alvarez and Marsal North America, Inc. ("A&M"), the Debtors' restructuring managers, will continue to consult with and seek the

consent of the Committee as to certain aspects of the Retention and Recruitment Program that have yet to be fully finalized, as fully set forth in the Motion, including, most significantly, the scope of the project objectives and applicable performance metrics. The Committee's consent will also be required with respect to (i) all material increases, decreases or reallocation of the specific amount of funds allocated to any specific job slot under the Retention and Recruitment Program; and (ii) any amounts required to fund base salary and bonuses for extended commitment periods. Thus, if the Retention and Recruitment Program is approved, the Committee will work with A&M to ensure that the Retention and Recruitment Program is managed in a manner that maximizes value.

9. The Committee shares the Debtors' view that the Retention and Recruitment Program entails a sound exercise of the Debtors' business judgment. As proposed, the Retention and Recruitment Program will create benefits that far outweigh both its not insubstantial costs and the costs that would otherwise have been incurred to hire new employees with no familiarity with the Debtors' businesses and little to no incentive to maximize the value of the Debtors' estates. The Committee believes that retention and recruitment of current and former Debtor employees with the knowledge and economic motivation required to do the job, as contemplated by the Motion, is in the Debtors' and the Committee's best interests. As a result, the Committee respectfully requests that the Court approve the Motion.

**CONCLUSION**

10. For all of the foregoing reasons, the Committee respectfully requests that the Court grant (i) the Motion and (ii) such other relief as the Court deems just and proper.

Dated: New York, New York  
October 29, 2008

**MILBANK, TWEED, HADLEY & McCLOY LLP**

By: /s/ Dennis F. Dunne  
Dennis F. Dunne  
Dennis C. O'Donnell  
1 Chase Manhattan Plaza  
New York, NY 10005  
Telephone: (212) 530-5000

-and-

Paul Aronzon  
Gregory A. Bray  
601 South Figueroa Street, 30<sup>th</sup> Floor  
Los Angeles, CA 90017  
Telephone: (213) 892-4000

Proposed Counsel for Official  
Committee of Unsecured Creditors  
of Lehman Brothers Holdings Inc., et al.